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AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES COMPANY FOR
AN EXTENSION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY FOR
WASTEWATER SERVICE.

DOCKET NO. WS-02987A-04-0889

**APPLICATION TO AMEND
DECISION NO. 68236**

Johnson Utilities, LLC, ("Johnson" or the "Company") hereby requests that pursuant to ARS §40-252 the Commission amend Decision No. 68236 in the subject Docket in the manner, and for the reasons, herein stated as follows:

1. On October 25, 2005, the Commission issued Decision No. 68236 granting the Company's requested extension of its wastewater Certificate of Convenience and the Necessity ("CC&N") to provide service to an area known as Section 17, a master planned community of approximately 640 acres being developed by among others, Richmond-American Homes and Pulte Homes Corporation. The area had previously been the subject of an Arizona Utility Service & Supply, Inc. ("AUSS") CC&N Application.

2. As a condition of that Opinion and Order, the Commission ordered "... that Johnson Utilities Company shall procure a \$500,000 performance bond, with proof of such performance bond filed in Docket Control, as a compliance item in this case, prior to retail

1 service being provided to any customers in the CC&N extension area." (Decision No. 68236,
2 Page 11, Line 20).

3 3. As testified to in the hearing on this matter, the Company has been providing
4 service to the subject area under a Bulk Billing Agreement, that is, billing the Developer of the
5 project at the residential rates. This was due to the prior CC&N applicant, AUSS, not being able
6 to provide the required treatment services. As of this date, the Company has not billed the
7 individual service location addresses directly.

8 4. The Company made numerous attempts to obtain the required bond terms and
9 conditions from Staff in a format Staff would find to be in compliance with the requirements of
10 the Decision. On about December 16, 2005, the Company received a form of bond acceptable to
11 Staff. A copy of that Performance Bond is attached hereto as **Exhibit 1** and incorporated herein
12 by this reference for all purposes.

13 5. Following consultation with a number of bonding companies and banks, the
14 Company docketed a Letter of Credit in this docket on January 23, 2006, a copy of which is
15 attached hereto as **Exhibit 2** and incorporated herein by this reference for all purposes. It should
16 be noted that this Letter of Credit has terms identical in substance to the Performance Bond form
17 provided by Staff.

18 6. Staff verbally questioned the Company as to the Letter of Credit's compliance
19 with the Decision. The Company responded on January 26, 2006 in a letter from Counsel
20 attached hereto as **Exhibit 3** and incorporated herein by this reverence for all purposes. That
21 letter sets forth the reasons the Letter of Credit is actually a greater assurance to the Commission
22 then would be a Performance Bond. In addition to the arguments set forth in **Exhibit 3**, the
23

1 Company's submits that the cost of a Letter of Credit is significantly less than that of a
2 Performance Bond. These lower costs result in a savings to the Company's ratepayers.


3 7. The Company received no response from that letter. It made numerous requests
4 as to the acceptability of the Letter of Credit because the Decision required compliance "...prior
5 to providing retail service".

6 8. The Company again requested a clarification on this matter from Staff on March
7 3, 2006, at which time the Staff indicated the Letter of Credit was unacceptable and not
8 consistent with the requirements of the Decision.

9 WHEREFORE, the Company hereby requests that the Commission amend Decision No.
10 68236 to include in the Ordering Paragraph language that indicates in effect that "... a
11 performance bond, Certificate of Deposit, or Letter of Credit..." would provide the necessary
12 assurances for the Commission.

13 RESPECTFULLY submitted this 14TH day of March 2006.

14 SALLQUIST, DRUMMOND & O'CONNOR, P.C.

15 By: 
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1
2 Original and fifteen copies of the
3 foregoing filed this 4th day
4 of March 2006:

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington
8 Phoenix, Arizona 85007

9 A copy of the foregoing
10 mailed/hand delivered this
11 14th day of March 2005, to:

12 Hearing Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 Utilities Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Legal Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

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COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES



BRIAN C. McNEIL
Executive Director

ARIZONA CORPORATION COMMISSION

December 16, 2005

Mr. Richard L. Sallquist
Sallquist, Drummond & O'Connor, P.C.
4500 S. Lakeshore Drive
Tempe, Arizona 85282

RE: BOND FORM INFORMATION

Dear Mr. Sallquist:

In response to your previous request, enclosed please find copies of two bonds filed with the Commission. These pages were copied from a filing which was docketed on February 11, 2004. The cover page of that filing is included.

For your convenience, the information has been sent via regular mail and facsimile. The information is being sent to you unedited from the original filing. Since the filing was docketed, it is clearly a public document. This item has been available to you at all times through docket control.

As you now have copies of a simple bond form for small firms (from previous requests you made similar to this one) and the enclosed form for what is a larger utility, I trust that you will have the bond form information that you can utilize in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian K. Bozzo".

Brian K. Bozzo
Manager, Compliance and Enforcement

EXHIBIT 1

RECEIVED

RECEIVED

FEB 12 2004

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AZ CORP COMMISSION
DOCUMENT CONTROL

AZ CORPORATION COMMISSIO
DIRECTOR OF UTILITIES

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro
Patrick J. Black
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Santa Cruz Water Company and Palo Verde Utilities Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF PALO VERDE
UTILITIES COMPANY FOR AN
EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE
AND NECESSITY.

DOCKET NO. SW-03575A-03-0167

IN THE MATTER OF THE
APPLICATION OF SANTA CRUZ
WATER COMPANY, FOR AN
EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE
AND NECESSITY.

DOCKET NO. W-03576A-03-0167

NOTICE OF FILING

Santa Cruz Water Company and Palo Verde Utilities Company ("Utilities") hereby submits this Notice of Filing in the above referenced matter. Arizona Corporation Commission ("Commission") Decision No. 66394 (October 6, 2003) ordered Utilities to increase their performance bonds to \$500,000 each, and file proof with the Commission prior to providing service in the extended service area.

On October 29, 2003, Utilities filed proof with the Commission that each had increased existing performance bonds to \$500,000 by obtaining bonds in the amount of \$418,000 for Santa Cruz Water Company, and \$382,000 for Palo Verde Utilities Company. On February 5, 2004, Staff contacted Utilities informing the companies that the performance bonds filed on October 29, 2003 had been cancelled. Although Commission Staff was made aware of these cancellations soon afterwards, Utilities' management was not notified until February 5, 2004, and promptly responded by letter on

Bond No. 08742106

Bond

Know All Men By These Presents, That we, Palo Verde Utilities Company, LLC, as Principal and Fidelity And Deposit Company of Maryland, A Maryland corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Three Hundred Eighty Two Thousand and 00/100 (\$382,000), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

Now Therefore, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

Provided Further, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

Provided Further, that should the Surety so elect, this bond may be cancelled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, sealed and dated this 10th Day of February, 2004.

Palo Verde Utilities Company, LLC Fidelity And Deposit Company of Maryland

By:

By:



Virginia Bradley, Attorney-In-Fact
3020 E. Camelback Rd. #200
Phoenix, Arizona 85016
602-381-2877

Power of Attorney
FIDELITY AND DEPOSIT COMPANY OF MARYLAND

HOME OFFICE, BALTIMORE, MD

KNOW ALL MEN BY THESE PRESENTS: That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation of the State of Maryland, by C. M. PECOT, JR., Vice-President, and C. W. ROBBINS, Assistant Secretary, in pursuance of authority granted by Article VI, Section 2, of the By-Laws of said Company, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, does hereby nominate, constitute and appoint Virginia Bradley of Phoenix, Arizona..

its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for and on its behalf as surety, and as its act and deed: any and all bonds and undertakings.....

And the execution of such bonds or undertakings in pursuance of these presents shall be as binding upon said Company, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Baltimore, Md., in their own proper persons. This power of attorney revokes that issued on behalf of Virginia Heil, dated, July 5, 1990.

The said Assistant Secretary does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article VI, Section 2, of the By-Laws of said Company, and is now in force.

IN WITNESS WHEREOF, the said Vice-President and Assistant Secretary have hereunto subscribed their names and affixed the Corporate Seal of the said FIDELITY AND DEPOSIT COMPANY OF MARYLAND, this 25th day of September, A.D. 1996.

ATTEST:



FIDELITY AND DEPOSIT COMPANY OF MARYLAND

Assistant Secretary

By

Vice-President

STATE OF MARYLAND
COUNTY OF BALTIMORE

SS:

On this 25th day of September, A.D. 1996, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, came C. M. PECOT, JR., Vice-President and C. W. ROBBINS, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally and each for himself depose and saith, that they are the said officers of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and that the said Corporate Seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



CAROL J. FADER

Notary Public

My Commission Expires August 1, 2000

CERTIFICATE

I, the undersigned, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the Vice-President who executed the said Power of Attorney was one of the additional Vice-Presidents specially authorized by the Board of Directors to appoint any Attorney-in-Fact as provided in Article VI, Section 2, of the By-Laws of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 16th day of July, 1969.

RESOLVED: "That the facsimile or mechanically reproduced signature of any Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed."

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said Company, this 10th day of February 2004.

Assistant Secretary

EXTRACT FROM BY-LAWS OF FIDELITY AND DEPOSIT COMPANY OF MARYLAND

"Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertakings, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages, . . . and to affix the seal of the Company thereto."

Bond No. 08742105

Bond

Know All Men By These Presents, That we, Santa Cruz Water Company, LLC, as Principal and Fidelity And Deposit Company of Maryland, A Maryland corporation authorized to do business in the State of Arizona, as Surety are held and firmly bound unto the Arizona Corporation Commission in the amount of Four Hundred Eighteen Thousand and 00/100 (\$418,000), lawful money of the United States of America for the payment of which the Principal and Surety are hereby jointly and severally bound.

Now Therefore, if the said Principal, or any assigns of his fails to provide competitive water services so furnished, the said Surety will pay the same to the users of the Principal with the consent of the Arizona Corporation Commission as Trustee, an amount not exceeding the sum hereinabove specified, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

Provided Further, that regardless of the number of years this bond shall continue in force and the number of premiums which shall be payable or paid, the Surety shall not be liable thereunder for a larger amount, in the aggregate, than the amount of the bond.

Provided Further, that should the Surety so elect, this bond may be cancelled by the Surety as to subsequent liability by giving thirty (30) days notice in writing by certified mail to Obligee.

Signed, sealed and dated this 10th Day of February, 2004.

Santa Cruz Water Company, LLC

Fidelity And Deposit Company of Maryland

By:

By:



Virginia Bradley, Attorney-In-Fact
3020 E. Camelback Rd. #200
Phoenix, Arizona 85016
602-381-2877

Power of Attorney
FIDELITY AND DEPOSIT COMPANY OF MARYLAND

HOME OFFICE, BALTIMORE, MD

KNOW ALL MEN BY THESE PRESENTS: That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation of the State of Maryland, by C. M. PECOT, JR., Vice-President, and C. W. ROBBINS, Assistant Secretary, in pursuance of authority granted by Article VI, Section 2, of the By-Laws of said Company, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, does hereby nominate, constitute and appoint Virginia Bradley of Phoenix, Arizona.

its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for and on its behalf as surety, and as its act and deed: any and all bonds and undertakings.....

And the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Company, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Baltimore, Md., in their own proper persons. This power of attorney revokes that issued on behalf of Virginia Heil, dated, July 5, 1998.

The said Assistant Secretary does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article VI, Section 2, of the By-Laws of said Company, and is now in force.

IN WITNESS WHEREOF, the said Vice-President and Assistant Secretary have hereunto subscribed their names and affixed the Corporate Seal of the said FIDELITY AND DEPOSIT COMPANY OF MARYLAND, this 25th day of September, A.D. 1996.

ATTEST:



FIDELITY AND DEPOSIT COMPANY OF MARYLAND

C. W. Robbins
Assistant Secretary

By

C. M. Pecot, Jr.
Vice-President

STATE OF MARYLAND
COUNTY OF BALTIMORE

ss:

On this 25th day of September, A.D. 1996, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, came C. M. PECOT, JR., Vice-President and C. W. ROBBINS, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally and each for himself depose and saith, that they are the said officers of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and that the said Corporate Seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



Carol J. Fader
CAROL J. FADER

Notary Public

My Commission Expires August 1, 2000

CERTIFICATE

I, the undersigned, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this certificate; and I do further certify that the Vice-President who executed the said Power of Attorney was one of the additional Vice-Presidents specially authorized by the Board of Directors to appoint any Attorney-in-Fact as provided in Article VI, Section 2, of the By-Laws of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND.

This Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 16th day of July, 1969.

RESOLVED: "That the facsimile or mechanically reproduced signature of any Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed."

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said Company, this 10th day of February, 2004.

Gregory Hamilton
Assistant Secretary

EXTRACT FROM BY-LAWS OF FIDELITY AND DEPOSIT COMPANY OF MARYLAND

"Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertakings, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages, . . . and to affix the seal of the Company thereto."

JOHNSON UTILITIES, L.L.C

5230 East Shea Boulevard * Scottsdale, Arizona 85254
PH: (480) 998-3300; FAX: (480) 483-7908

RECEIVED

January 24, 2006

2006 JAN 24 P 12:19

Brian Bozzo
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

AZ CORP COMMISSION
DOCUMENT CONTROL

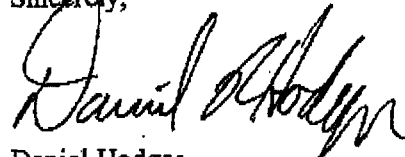
RE: Johnson Utilities, L.L.C.: Compliance with Decision No. 68236
RE: \$500,000 Performance Bond
WS-02987A-04-0889

Dear Mr. Bozzo:

Pursuant to the above mentioned decision, Johnson Utilities hereby submits this compliance filing in accordance with the Commission's order to procure a \$500,000 performance bond prior to retail service being provided to any customers in the CC&N extension area. Enclosed please find the \$500,000 Performance Bond from National Bank of Arizona in the form of an Irrevocable Standby Letter of Credit attached hereto as Attachment No. 1. Johnson Utilities will file on or before April 15, 2006 a letter of bond confirmation as required by this Decision.

If you need any additional information in regards to this compliance item, please do not hesitate to contact me. Thank you for your time and consideration in this matter.

Sincerely,



Daniel Hodges
Johnson Utilities, LLC

Cc: Ernest Johnson, Director
Brian Tompsett, Johnson Utilities
Richard Sallquist, Sallquist, Drummond & O'Connor
Docket Control

EXHIBIT 2

ATTACHMENT 1



LC #: 10566
Date: January 6, 2006
Amount: 500,000.00

ARIZONA CORPORATE COMMISSION
1200 West Washington
Phoenix, AZ. 85007

IRREVOCABLE STANDBY LETTER OF CREDIT

GENTLEMEN:

AT THE REQUEST OF: JOHNSON UTILITIES, L.L.C., an Arizona limited liability company, 5230 East Shea Blvd., Suite 200, Scottsdale, Az. 85254

FOR THE ACCOUNT OF: JOHNSON UTILITIES, L.L.C., an Arizona limited liability company, 5230 East Shea Blvd., Suite 200, Scottsdale, Az. 85254

WE HEREBY OPEN IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT FOR SUM OR SUMS NOT EXCEEDING FIVE HUNDRED THOUSAND AND NO/100 U.S. DOLLARS

AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON US

NATIONAL BANK OF ARIZONA
Documentation Dept. AZ 7013
6001 N. 24th Street,
PHOENIX, AZ 85016

WHEN DRAWN IN ACCORDANCE WITH THE TERMS AND ACCOMPANIED BY THE DOCUMENTS LISTED BELOW.

KNOW ALL MEN BY THESE PRESENTS, THAT WE, JOHNSON UTILITIES, L.L.C., AS PRINCIPAL AND NATIONAL BANK OF ARIZONA, AS SURETY ARE HELD AND FIRMLY BOUND UNTO THE ARIZONA CORPORATE COMMISSION IN THE AMOUNT OF FIVE HUNDRED THOUSAND AND 00/100 (\$500,000.00) LAWFUL MONEY OF THE UNITED STATES OF AMERICA FOR THE PAYMENT OF WHICH THE PRINCIPAL AND SURETY ARE HEREBY JOINTLY AND SEVERALLY BOUND.

NOW THEREFORE, IF THE SAID PRINCIPAL, OR ANY ASSIGNS OF HIS FAILS TO PROVIDE COMPETITIVE WATER AND WASTEWATER SERVICES SO FURNISHED, THE SAID SURETY WILL PAY THE SAME TO THE USERS OF THE PRINCIPAL WITH THE CONSENT OF THE ARIZONA CORPORATE COMMISSION AS TRUSTEE, AN AMOUNT NOT EXCEEDING THE SUM HEREINABOVE SPECIFIED, THEN THIS OBLIGATION SHALL BE NULL AND VOID; OTHERWISE IT SHALL REMAIN IN FULL FORCE AND EFFECT.

PROVIDED FURTHER, THAT REGARDLESS OF THE NUMBER OF YEARS THIS LETTER OF CREDIT SHALL CONTINUE IN FORCE AND THE NUMBER OF PREMIUMS WHICH SHALL BE PAYABLE OR PAID, THE SURETY SHALL NOT BE LIABLE THEREUNDER FOR A LARGER AMOUNT, IN THE AGGREGATE, THAN THE AMOUNT OF THE BOND.

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS WE HAVE NOTIFIED YOU IN WRITING, NOT LESS THAN THIRTY (30) DAYS BEFORE SUCH EXPIRATION DATE, THAT WE

Unless otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, established by The International Chamber of Commerce Publication, applicable on the date of this Letter of Credit.



National Bank O F A R I Z O N A

ELECT NOT TO RENEW THIS LETTER OF CREDIT. OUR NOTICE OF SUCH ELECTION SHALL BE SENT CERTIFIED MAIL TO YOUR ABOVE ADDRESS (OR SUCH OTHER ADDRESS AS YOU MAY ADVISE US OF IN WRITING).

PARTIAL DRAWINGS ARE ALLOWED.

THE ORIGINAL OF THIS LETTER OF CREDIT MUST BE PRESENTED WITH ANY AND ALL DRAWINGS EFFECTED HEREUNDER. WE HEREBY AGREE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT, THAT SUCH DRAFTS, WILL BE DULY HONORED IF PRESENTED AT NATIONAL BANK OF ARIZONA, DOCUMENTATION DEPT. AZ 7013, 6001 NORTH 24th STREET, PHOENIX, AZ 85016 ON OR BEFORE JANUARY 6, 2007.

DRAFTS DRAWN UNDER THIS CREDIT MUST BE ENDORSED AND CONTAIN THE CLAUSE "DRAWN UNDER NATIONAL BANK OF ARIZONA LETTER OF CREDIT NO. 10566 DATED JANUARY 6, 2006."

NATIONAL BANK OF ARIZONA


AUTHORIZED SIGNATURE

Unless otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, established by The International Chamber of Commerce Publication, applicable on the date of this Letter of Credit.

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

ATTORNEYS AT LAW
TEMPE OFFICE
4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RICHARD L. SALLQUIST

PHONE (480) 839-5202
FACSIMILE (480) 345-0412
E-MAIL dick@sd-law.com

January 26, 2006

EMAIL AND US MAIL

Mr. Brian Bozzo, Compliance Officer
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Re: Johnson Utilities Company; Docket Nos. WS-02987A-04-0288, WS-02987A-04-00889, & WS-02987A-05-0088; Decision Nos. 68237, 68236, & 68235, respectively; Compliance Bond

Dear Mr. Bozzo:

We are writing in response to your question to Mr. Tompsett regarding the efficacy of providing a Letter of Credit as opposed to a performance bond as the compliance requirement in subject Decisions. We submit that the Letter of Credit not only meets the requirement of those Decisions, but is a superior financial assurance than the form of performance bond you provided as a guide to the compliance requirement.

Please note the features of the Letter of Credit filed in the subject Dockets on January 23, 2006 that are equal to, or superior to, the form of bond you provided.

1. The purpose and function of the two instruments is identical. The funds will be available to the Commission in the event of adverse consequences to the Company resulting from the subject litigation.
2. The language of the Letter of Credit is virtually identical to the bond form you provided.
3. A Letter of Credit is a more secure financial instrument than a bond. The issuer of the Letter of Credit actually holds the Principals cash in the amount of the Letter of Credit, not just lien rights on assets as with a bond. In the commercial world, a secured party would vastly prefer a Letter of Credit to a bond.

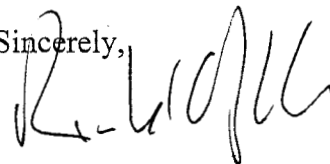
4. The Letter of Credit is available to the Commission upon presentation of "draft(s) at site" as set forth in the Letter of Credit. Contrast that with the complex and time-consuming "claim" required under a bond or insurance instrument. It should be noted that those procedures are not even set forth in the bond terms.

5. The Letter of Credit provided to the Commission is issued by a well-established local bank, not a foreign insurance company. Therefore, executing on the Letter of Credit is much easier for the Commission.

As you are aware, in the past the Commission has, when requiring financial assurances associated with new certificated areas, included language in decisions requiring a "performance bond or letter of credit". Many small companies that are either underfinanced or whose owners have no established banking relationship are unable to obtain a letter of credit. In this instance a Letter of Credit is available. We believe the purpose and intent of the Commission is to be certain that funds are available to assure the ongoing operation of the utility and the provision of the service which the Commission has authorized. Either financial assurance would provide that, however as stated above, we believe the Letter of Credit provides even greater assurances to the Commission and is consistent with their intent.

In the event you have further questions please do not hesitate to call.

Sincerely,



Richard L. Sallquist

Cc: Docket Control (15 copies in each Docket)
David Ronald
Brian Tompsett